

Message Text

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12

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 CIAE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01 NEA-09

IO-10 (ISO) W

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P 200900Z JAN 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9958

INFO AMEMBASSY JAKARTA PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 4/20/75

TAGS: EAID, EFIN

SUBJECT: PROPOSED ADB LOAN -JAVA FISHERIES DEVELOPMENT
PROJECT (INDONESIA)

SUMMARY: ADB MANAGEMENT PROPOSES \$13.2 MILLION EQUIVALENT
LAON FROM ORDINARY CAPITAL RESOURCES TO REPUBLIC OF
INDONESIAN TO FINANCE FOREX COST OF FIFTY MARINE DIESEL
ENGINES, NAVIGATION, FISHING AND AUXILIARY EQUIPMENT FOR
A FLEET OF FISHING BOATS; EQUIPMENT AND POWER UNITS FOR
A REFRIGERATION AND ICE PLANT; THREE REFRIGERATED FISH
CARRIERS; 27 TRUCKS; AUXILIARY FACILITIES AND CONSULTING
SERVICES. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC. R -3-75 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES JANUARY 13. BOARD CONSIDERATION
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SCHEDULED JANUARY 30.

2. ADB MANAGEMENT PROPOSING \$13.2 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES TO INDONESIA. PROCEEDS WILL FINANCE FOREX COST OF MARINE DIESEL ENGINES AND EQUIPMENT FOR 50-60 GT CLASS PURSE-SEINERS; EQUIPMENT AND POWER UNITS FOR A REFRIGERATION AND ICE PLANT COMPLEX; THREE REFRIGERATED 120 GT CLASS FISH CARRIERS; 27 REFRIGERATED AND INSULATED TRUCKS; A FISH LANDING STAGE; REPAIR WORKSHOP AND SLIPWAY; HOUSING ACCOMMODATIONS FOR 150 EMPLOYEES; DEEP WELL PUMPS, FILTERS AND WATER STORAGE TANKS; DIESEL POWER GENERATORS; FISH DISPLAY CABINETS; OIL STORAGE TANKS AND CONSULTING SERVICES.

3. PROPOSED LOAN OF \$13.2 MILLION INCLUDES FINANCING OF \$1.9 MILLION INTEREST DURING CONSTRUCTION. PROPOSED TERMS ARE 18 YEAR AMORTIZATION INCLUDING 4 YEAR GRACE PERIOD, 8 1/4 PERCENT INTEREST. REPUBLIC OF INDONESIA TO BE BORROWER, PERSERAN TERBATAS TIRTA RAYA MINA TO BE EXECUTING AGENCY.

4. PROJECT IS DESIGNED TO BOTH EXPLOIT THE POTENTIAL MARINE FISH PRODUCTION IN THE AREA ADJACENT TO NORTH CENTRAL JAVA BY INTRODUCTION OF MORE EFFICIENT FISHING VESSELS AND EQUIPMENT, AT THE SAME TIME SEEKING TO RAISE THE AVERAGE PER CAPITA CONSUMPTION OF FISH WHICH AT 10 KG. PER ANNUM IS CONSIDERED LOWEST OF ALL MARINE FISH PRODUCING COUNTRIES IN ASIA. LOW CONSUMPTION ATTRIBUTED TO DEFICIENT SUPPLY CAUSED MAINLY BY TRADITIONAL METHODS OF FISHING AND MARKETING (MOSTLY CANOES AND SAILBOATS BEING USED) AND LACK OF COLD STORAGE AND REFRIGERATED SHIPPING CAPACITY NEEDED TO PREVENT SPOILAGE.

5. LACK OF SUFFICIENT INVESTMENT AND EXPERTISE ARE THE MAJOR RESTRAINTS TO GROWTH OF FISHERIES SECTOR, LEADING TO RELIANCE ON INEFFICIENT METHODS, ABSENCE OF NECESSARY SUPPORTING ON-SHORE FACILITIES AND INFRA-STRUCTURE. PROJECT FISHING GROUNDS, COMPRISING 132,000 SQ KM. IN JAVA SEA, PERMIT YEAR-ROUND LIMITED OFFICIAL USE

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OPERATION OF VESSELS OVER 30 GT. ACCORDING TO MARINE FISHERIES RESEARCH INSTITUTE OF INDONESIA, LESS THAN ONE FOURTH OF SUSTAINABLE ANNUAL YIELD OF SURFACE FISH (PELAGIC SPECIES), ABOUT 400 KG./SQ. KM., ARE CURRENTLY BEING CAUGHT. WITH AN EXISTING CATCH OF 10,000 MT./YEAR, THE CONSERVATIVELY ESTIMATED INCREMENTAL CATCH OF 14,000 MT/YEAR BY THE PROPOSED PROJECT PURSE SEINERS WILL NOT RISK DEPLETION OF THE SUSTAINABLE POTENTIAL

RESOURCES OF 53,000 MT./YEAR.

6. USING THE PROPOSED 60 GT CLASS WOODEN-HULLED PURSE SEINERS WITH NETS ABOUT 500 M. LONG BY 50 M. DEEP, BANK MISSION ESTIMATES DAILY CATCH PER BOAT OF 1.8 MT, WITH 156 FISHING DAYS OUT OF 286 FISHING TRIP DAYS PER YER. PURSE SEINE CATCHES IN THE AREA FROM SMALLER BOATS USING SMALLER NETS CONSISTENTLY EXCEED THESE AMOUNTS, AND FISH SPECIES LANDED MOSTLY SUITABLE FOR LOCAL CONSUMPTION. PREDOMINANT SPECIES ARE MACKEREL SCAD (70 PERCENT); HORSE MACKEREL (10 PERCENT) AND CHUB MACKEREL (5 PERCENT) ALL POPULAR IN JAVA, WHILE TRASH FISH COMPONENTS OF CATCHES WERE LESS THAN 5 PERCENT. EXISTING INFRASTRUCTURE AT PROJECT SITE IN PEKALONGAN INCLUDES TWO SMALL BOAT BUILDING YARDS WITH INADEQUATE WORKSHOP AND SLIPWAY FACILITIES AND TWO SMALL ICE PLANTS OF ONLY 5 MT. AVAILABLE DAILY CAPACITY. DURING GLUT SEASON, ABOUT 20 MT OF ICE ARE SHIPPED DAILY AT HIGHER COST FROM SEMARANG, AND NO COLD STORAGE FACILITIES EXIST; A SMALL WOODEN JETTY NOW IN USE IN FRONT OF THE FISH MARKET IS CONGESTED AND OBSOLETE, HOWEVER GOVERNMENT IS CONSTRUCTING NEW FISH WHARF WHICH WILL HAVE 150 M. LONG FISH LANDING STAGE.

7. PROJECT WULD PROVIDE (A) 50-240 HP MAIN MARINE DIESEL ENGINES PLUS 50 AUXILIARY GENERATOR UNITS, COMPASSES, CHILL EQUIPMENT, FISH FINDERS, RADIO PHONES, FIRE EXTINGUISHERS AND COMPLETE SETS OF PURSE SEINE NETS TO EQUIP A FLEET OF 50-60 GT CLASS WOODEN HULLED BOATS TO BE MADE BY LOCAL SHIPYARDS; (B) EQUIPMENT AND POWER SETS FOR A REFRIGERATION/ICE MAKING COMPLEX WITH 600 TON (-25 DEGREES C) COLD STORAGE; LIMITED OFFICIAL USE

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200 TON (0 DEGREES C) CHILL ROOM; 20 TON/DAY BLAST FREEZER; 100 TON/DAY ICE MAKING; 200 TON ICE STORAGE; 1200 KW DIESEL GENERATOR; (C) THREE 120 GT CLASS STEEL HULL REFRIGERATED CARRIERS TO BE IMPORTED; (D) 14-5 TON PAYLOAD REFRIGERATED TRUCKS AND 13 INSULATED TRUCKS OF 1 TO 2 TON PAYLOAD CAPACITY; (E) REPAIR WORKSHOP AND SLIPWAY; (F) FISH LANDING STAGE; (G) HOUSING FOR 150 EMPLOYEES; (H) AND ASSORTED MISCELLANEOUS FACILITIES AND EQUIPMENT INCLUDING OIL STORAGE TANKS, FISH DISPLAY CABINETS; RADIO PHONE BASE STATIONS, WATER PUMPS, FILTERS, WATER STORAGE TANK, ETC. PLUS CONSULTING SERVICES.

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 NEA-09 IO-10 CIAE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-01 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01

(ISO) W

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P 200900Z JAN 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9959

INFO AMEMBASSY JAKARTA PRIORITY

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FOR NAC AGENCIES

8. PROJECT DESIGN IS TO CATCH 14,000 MT. FISH PER ANNUM AND BUY 2,500 MT. MORE FROM SMALL FISHERMEN. FISH THEN TO BE DISTRIBUTED BY REFRIGERATED CARRIERS AND TRUCKS TO MAIN CONSUMING CENTERS IN CENTRAL AND WEST JAVA. BY PROVIDING ICE, STORAGE AND MARKETING, PROJECT WILL HAVE SUBSTANTIAL SOCIAL IMPACT BY INCREASING PRODUCTIVITY AND INCOME OF SMALL FISHERMEN; WILL GENERATE ABOUT 1200 NEW JOBS FOR FISHERMEN AND ON-SHORE WORKERS.

9. GOVERNMENT IN OCTOBER 1974 ESTABLISHED GOVERNMENT-OWNED CORPORATION, P.T. TIRTA RAYA MINA TO BE EXECUTING AGENCY WITH HEAD OFFICE IN JAKARTA AND OPERATIONS BASE IN PEKALONGAN, UNDER GENERAL SUPERVISION OF DIRECTOR GENERAL OF FISHERIES, AS WAS CASE IN TWO EARLIER BANK-FINANCED FISHERIES PROJECTS AT LIMITED OFFICIAL USE

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RIAU AND IRIAN JAYA. GOVERNMENT TO FULLY SUBSCRIBE TO INITIAL AUTHORIZED CAPITAL OF RP. 2,650 MILLION WITH MIN FINANCE TO RETAIN REGULATORY AUTHORITY. PT TO FORMULATE POLICY STATEMENT SATISFACTORY TO BANK WITHIN TWO YEARS OF COMMENCING OPERATIONS. BANK BELIEVES PROPOSED ADMINISTRATIVE STRUCTURE INCLUDING BOARDS OF SUPERVISORS AND MANAGEMENT SETTING POLICY AND A PRESIDENT/DIRECTOR I.E. PROJECT MANAGER RESPONSIBLE FOR DAY-TO-DAY MANAGEMENT IS SUITABLE TO EXECUTE AND OPERATE PROJECT, WITH ASSISTANCE OF FOREIGN CONSULTANTS. EXECUTING AGENCY TO SUBMIT TO ANNUAL AUDIT WHICH WILL EXAMINE INTER ALIA, COMPLIANCE WITH FINANCIAL CONVENANTS STIPULATED IN PROJECT AGREEMENT (SIDE LETTER NO. 4, PARAS. 14 AND 15).

10. TOTAL COST OF PROJECT ESTIMATED AT \$21.3 MILLION INCLUDING FOREX COMPONENT OF \$13.2 MILLION PROPOSED FOR BANK FINANCING, TO BE RELENT TO EXECUTING AGENCY AT 15 PERCENT INTEREST, 18 YEAR MATURITY WITH 4 YEAR GRACE PERIOD. LOCAL COSTS TO BE MET FROM GOVERNMENT EQUITY PARTICIPATION AND BORROWINGS FROM STATE BANKS, WITH PAYMENT OF LOCAL INTEREST TO BE DEFERRED UNTIL PROJECT IS OPERATIONAL, AND LONG TERM DEBT/EQUITY RATIO NOT TO EXCEED 7:3. ALLOCATION OF LOAN TO BE (FOLLOWING FIGURES IN THOUSANDS) \$4,931 FOR FISHING BOAT ENGINES AND EQUIPMENT; \$3,520 FOR ON-SHORE FACILITIES INCLUDING REFRIGERATION COMPLEX, REPAIR SHOP, WATER AND OIL DISTRIBUTION SYSTEMS; FISH LANDING STAGE, ETC.; \$1,260 FOR FISH CARRIERS; \$385 FOR TRUCKS; \$379 FOR CONSULTING SERVICES; \$208 MISCELLANEOUS; 20 PERCENT CONTINGENCY - \$1,877; AND INTEREST DURING CONSTRUCTION \$1,900.

11. PROCUREMENT TO BE UNDER BANK'S GUIDELINES BY EXECUTING AGENCY WITH SUPPLY CONTRACTS OVER \$100,000 ON BASIS INTERNATIONAL COMPETITIVE BIDDING; UNDER \$100,000 BY INTERNATIONAL SHOPPING. REFRIGERATION CONTRACT TO INCLUDE DETAILED DESIGNS AND INSTALLATION; CIVIL WORKS AND HULL CONSTRUCTION USING IMPORTED ENGINES TO BE BY LOCAL CONTRACTORS SELECTED THROUGH COMPETITIVE BIDDING LIMITED OFFICIAL USE

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PROCEDURES SATISFACTORY TO BANK.

12. CONSULTANTS REQUIRED ARE ONE MASTER FISHERMAN; ONE SHORE FACILITIES ADVISOR; ONE MARKETING EXPERT;

ONE MANAGEMENT ADVISOR AND ONE FINANCIAL ADVISOR
ALL OF 12 MONTHS EACH, TO BE SELECTED IN ACCORD BANK'S
GUIDELINES.

13. BANK MANAGEMENT CONSIDERS PROJECT TECHNICALLY
SOUND AND FINANCIALLY VIABLE, ECONOMIC RATE OF RETURN
ESTIMATED AT 22.1 PERCENT. PROJECT IS IN ACCORD WITH
GOALS SPELLED OUT FOR FISHERIES SECTOR IN GOVERNMENT'S
DEVELOPMENT PLAN REPELITA II, TO INCREASE FISH PRODUCTION,
INCREASE FISHERMEN INCOMES; EXPAND EMPLOYMENT AND
MAINTAIN FISHERIES RESOURCES IN BALANCED GROWTH. PROJECT
HAS INSTITUTION-BUILDING ASPECT, WILL IMPROVE
MANAGERIAL CAPABILITIES AND CREATE SKILLED WORK
FORCE; IMPROVE LOW NUTRITIONAL LEVELS IN THE COUNTRY.
PROJECT ALSO EXPECTED TO IMPROVE DOMESTIC MARKETING
STRUCTURE IN WHICH NON-PRODUCTIVE MIDDLEMEN WERE
FOUND BY BANK MISSION TO BE CURRENTLY EXACTING ON
INORDINATE SHARE.

14. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE
NAC ACTION. REQUEST EMBASSY JAKARTA'S COMMENTS FOR
NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE
119795 DTD 3 JULY 1972.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 20 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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To: STATE
Type: TE
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